

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

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FM AMEMBASSY WARSAW

TO SECSTATE WASHDC 5831

INFO AMEMBASSY MOSCOW

C O N F I D E N T I A L WARSAW 4166

E.O. 11652: GDS

TAGS: EFIN, PL

SUBJECT: PROSPECTS OF CONVERTIBILITY FOR POLISH ZLOTY

REF: WARSAW 1061; STATE 147677

1. THE POSSIBILITY OF MAKING THE ZLOTY CONVERTIBLE HAS NOT BEEN WIDELY DISCUSSED IN POLISH FINANCIAL AND TRADE CIRCLES SINCE DOUBLE-DIGIT INFLATION BEGAN TO PLAGUE THE ECONOMIES OF THE WEST. THE ONLY EXCHANGE-RATE ACTION WHICH SEEMS TO BE GETTING SOME ATTENTION CURRENTLY INVOLVES POSSIBLE ACTION TO SIMPLIFY POLAND'S COMPLICATED MULTI-RATE SYSTEM.

2. POLAND'S RAPID INCREASE IN TRADE WITH THE WEST, WHICH NOW ACCOUNTS FOR ABOUT 50 PERCENT OF ITS TOTAL TRADE, TOGETHER WITH THE SHARP RISE IN FOREIGN TRADE'S SHARE OF NATIONAL INCOME, MAKES SOME FORM OF CONVERTIBILITY INCREASINGLY DESIRABLE TO POLISH FINANCIAL AUTHORITIES. HOWEVER, THE WEST'S PROBLEMS OF INFLATION, RECESSION, AND INTERNATIONAL-MONETARY UNCERTAINTY ARE FORCING A LONG, HARD LOOK AT THE ADVISABILITY OF MAKING SUCH PROBLEMS MORE RAPIDLY TRANSFERABLE TO THE POLISH ECONOMY THROUGH
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CONVERTIBILITY.

3. SOME FORM OF CONVERTIBILITY WOULD ALSO BE ATTRACTIVE TO THE POLES SINCE IT COULD PROVIDE THE ENTRANCE TICKET TO FUTURE DISCUSSIONS OF INTERNATIONAL MONETARY REFORM. THE POLES, AND WE ASSUME THE SOVIETS AS WELL, WOULD LIKE TO BE AT THE TABLE WHEN THE FUTURE ROLE OF GOLD AND AN ADDITIONAL DISTRIBUTION OF SDR'S ARE DECIDED.

DAVIES

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NNN

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